

AMERICA'S TRADE AGENDA IN EUROPE
REMARKS OF
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TO THE EU COMMITTEE OF THE AMERICAN CHAMBER OF COMMERCE
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Thank you very much, Keith, for your warm introduction, and may I also thank Ambassador Weaver, for being such an important presence for the United States here in Brussels. And while I could acknowledge many of you, because I know many of you, let me say a special note to Ambassador Yerxa, my predecessor at USTR, and one of the truly great trade negotiators.

Let me start by saying that our trade agenda with Europe is quite full. We are discussing bilateral trade through the Transatlantic Economic Partnership, and consulting on expansion of the EU to new members. We are preparing for negotiations on agriculture, services and other issues under the WTO; finding common ground on the accession to the WTO of China, Russia and other aspiring members; and addressing the financial crisis which afflicts so much of the world.

Today I will touch upon each of these issues. I would like to start by putting them in the larger context of the role of trade in America's partnership with Europe.

Shared Values, Shared Responsibilities

Let me begin with our fundamental assumption: the partnership between the United States and Europe has been the bedrock of peace and prosperity for the past fifty years; and it can continue to play that role in the next century.

The values of our Western heritage - democracy; social justice; the rule of law; individual rights and freedoms - continue to inspire young people and liberate nations around the world.

The strength of the North Atlantic Treaty Organization remains the world's strongest single guarantor of peace and security.

Our scientific cooperation on problems like climate change, protection of the oceans, and threats to health like AIDS, is the best hope for a clean, healthy world for our children.

And our willingness to take up and share responsibilities of economic leadership is central to growth and prosperity in the United States, Europe and the world

Therefore, as President Clinton said in his Berlin address last May, America's goal is:

"a transatlantic partnership that is broad and open in scope, where the benefits and burdens are shared, where we seek a stable and peaceful future not only for ourselves but for all the world."

The Postwar Record

Trade is a fundamental part of this broad partnership. As President Franklin Roosevelt said in 1944, trade is not only a source of mutual economic benefit but a contributor to peace. He said:

"A basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power - and that such a rise encourages a better standard of living in neighboring countries with whom it trades."

His successors in the immediate postwar era - Churchill, Attlee and Keynes; Truman, Acheson and Marshall; Monnet, Adenauer and de Gasperi - acted upon this vision. They rebuilt Europe through the Bretton Woods institutions and the Marshall Plan. And then they embarked upon the rebuilding of the world economy, shattered as it was by the protectionism of the 1930s and then the war.

The result was the creation of the GATT and the first steps toward European integration. These institutions have reduced tariffs by 90% and allowed trade to grow 15-fold, making firms more successful and working families more secure. We have transmitted new medicines and hospital equipment around the world, helping raise world life expectancy at birth from 48 to 65 in a single generation. Growing agricultural trade has improved nutrition and eliminated famine from all but the most misgoverned corners of the earth.

Trade in information technologies - faxes, e-mail, e-commerce, the Internet - opens new worlds of artistic expression, scientific inquiry and political debate to anyone with a computer terminal. And the faith Roosevelt placed in trade as a contributor to a peaceful world has been more than justified by fifty-three years of peace in Western Europe.

The Tasks Today

We today must live up to the example our predecessors have set. And to do that we have to meet three challenges:

First, our relationship with the EU creates immense mutual benefit, which we can further strengthen; but it is marked by serious disputes which we must solve.

Second, our relationship is an association of values -- democracy, freedom, the rule of law. We can strengthen it by bringing nations committed to these principles into the political and economic

institutions of the West - from Central Europe and the Baltics to reformers in the newly independent states, and states including Turkey seeking peace in the Balkans.

Third, our relationship is a force for world peace and prosperity, which we must build upon as we address the financial crisis and strengthen the multilateral trading system.

U.S.-EU Trade Today

Let me begin with the first challenge: our bilateral relationship.

Today, the European Union is America's largest economic partner. Counting goods and services together, our bilateral trade was well over \$400 billion last year. And it is among the world's fastest-growing relationships as well. Last year, our \$13 billion growth in exports to the EU exceeded the total of our exports to China; and this year, EU exports to the U.S. are expected to grow by a full \$20 billion.

The other side of this relationship - bilateral investment flows - are an equally great contributor to our prosperity. The American semiconductor plants in Ireland and the European auto factories in South Carolina, are only the most visible parts of a direct investment relationship which now exceeds \$750 billion.

One in every 12 U.S. factory workers is now employed by a European firm, and three million U.S. jobs depend on European direct investment in America. And the \$369 billion we have invested in Europe is nearly half our total investment in the world beyond our borders.

But our trade relationship is also marked by serious disputes. Some of these involve principles that must be at the heart of a productive trade relationship: transparency, the application of science to agricultural issues, respect for the decisions of dispute settlement panels. I will speak first to the points of common interest and mutual benefit. But the disputes must be faced and solved - quickly - or they will fester and corrode our relationship.

Bilateral Trade Agenda

But let me start, with the positive. While our bilateral relationship already yields important benefits, we can do better.

This fact - recognized by the Clinton Administration, the Commission and Spain's EU Presidency - was the genesis of the New Transatlantic Agenda in 1995. In it we concluded a Mutual Recognition Agreement (MRA), reducing regulatory barriers in sectors worth \$60 billion in two-way trade, including medical devices, pharmaceuticals and telecom equipment. We agreed on customs cooperation and equivalency in veterinary standards and procedures.

And we have now moved on to the next step. That is the Transatlantic Economic Partnership,

launched at the U.S.-EU Summit last May by President Clinton, Prime Minister Blair and Commissioner Santer. In this initiative, we identify seven broad areas in which we can increase exports and jobs on both sides of the Atlantic, avoid disputes, address disagreements, and remove barriers. And they are:

Technical Standards - Here we must find ways to reduce the barriers and avoid potential conflicts created by technical standards, while maintaining high levels of health and safety. We can achieve these results by concluding mutual recognition agreements in new sectors, cooperating more closely in aligning our standards and regulatory requirements, developing procedures and guidelines for improving our opportunity to have input in each other's regulatory procedures.

Less duplication of effort, combined with more openness and transparency, may yield tens of billions of dollars in reduced costs for firms in Europe and the U.S., and it is especially important for smaller and medium-sized companies.

Agriculture - We must ensure that regulations in areas like biotechnology are transparent, predictable and based on sound science.

This is of critical importance to farmers and ranchers, and consumers. At the same time, we can seek greater cooperation in areas of common concern like assurance of food safety for our consumers.

Intellectual Property - We must work together on three critical issues. First, ensuring full implementation of the WTO TRIPS Agreement, while finding ways to improve it in the future. Second, addressing pirate production and distribution of optical media. Here we can find a number of new tools. And third, more effectively protecting computer software, especially through blocking use of unlicensed software by government entities.

Government Procurement - We can improve access for small and medium-sized firms in markets worth \$200 billion in Europe and just about the same in the U.S. We can do this particularly through cooperation on enhancing the compatibility of electronic tendering and contracting used in the United States and Europe.

Services - We will collaborate with the Commission to identify and press as hard as possible common U.S. and European interests in the upcoming GATS 2000 negotiations. In addition, we will negotiate certain services issues bilaterally. This could mean doing MRA's in certain areas, perhaps for example in insurance or engineering. It could also mean developing pro competitive regulatory principles in other sectors, just as we did in the WTO telecom agreement.

Electronic Commerce - We can build on our December 1997 joint statement to ensure that the new world of computers, telecom and the Internet can reach its full potential to promote growth and entrepreneurialism.

Promotion of Shared Values - We can more fully involve our citizens and civil society

associations in trade policy, strengthening the consensus for open trade.

So we are creating Trans-Atlantic Dialogues involving labor activists, environmental activists and consumer advocates to offer advice to our governments and the Commission, much as the Trans-Atlantic Business Dialogue (TABD) has improved US-European trade dialogue with business.

This can help us find common approaches to specific trade issues, to the questions of trade, environment and labor protection, and to transparency.

But as I said, our ability to make the most of these shared interests depends on our ability to face and solve our disputes. Let me mention two types in particular. We have now concluded agricultural cases against the EU: one on bananas and one on banned beef from American cattle. In both, WTO dispute settlement panels and Appellate Bodies ruled in favor of the United States. The EU has implemented neither. In addition, conflicts related to biotechnology also threaten the relationship. These are issues we cannot duck. They must be solved.

EU Expansion

Let me now turn to the second broad challenge: our relationship as an association of fundamental values. The integration of Europe, through NATO and the European Union, is a process of profound significance. It has created a community of democracy, collective security, market economies and the rule of law. And it is no accident that as these values have spread, Western Europe has enjoyed the longest era of peace in its modern history. Each expansion of the EU - from the very beginning with the Coal and Steel Agreement, to the addition of Britain and Ireland, the inclusion of Portugal, Spain and Greece, and most recently Sweden, Austria and Finland - meant stronger guarantees of peace, stability, democracy and prosperity for all of us.

That is why the United States has supported European integration from the beginning. And we see, in the success of economic reform and democratization in Central Europe, an historic chance to go further. We therefore were proud to lead in the expansion of NATO, and take pride as well in our trade and investment relationship with Central Europe. And we applaud and support the EU's invitation to Poland, the Czech Republic, Hungary, Slovenia, Estonia and Cyprus to join. But we will be quite vigilant about the details of EU expansion. Economic integration will benefit the world, and Europe's citizens and consumers, if it is done on a basis of openness to the world. And we believe EU expansion will in most instances mean improved prospects for our trade and investment in Central Europe, Cyprus and other future EU members. But if integration results in higher barriers, it will damage American interests and foster new disputes.

We are therefore going to watch this process quite closely. Through the TEP and other consultations, we will be in close and continuous contact with the European Union as integration moves ahead. We have also engaged Central European governments in separate consultations, and asked our International Trade Commission to study the impacts of EU enlargement. This process can and should serve the interests of the entire Atlantic community.

The Newly Independent States

The success of reform in Central Europe also offers us lessons as we assist reformers further east: Russia, Ukraine and the other newly independent states.

Economic reform and democratization in these nations are a vital interest of the United States. That is why we have offered technical assistance both in political and economic reform, and supported IMF recovery packages for them.

Ultimately, however, Russia and the other newly independent states need to reform their own economic systems and create strong institutions of law and government. While we can provide help, we cannot do it for them. And we should not be surprised to see setbacks and difficult periods. But we also should not be defeatists or pessimistic. The basics are there: Russia and its neighbors have strong natural resource and agricultural potential, advanced scientific establishments, and a tradition of education. The broad trend toward regular elections and economic ties with the West continues. And the creation of stable market democracies in these nations remains critically important to Europe, the United States, and the world.

We therefore remain committed to support reform, and our trade policy has a role to play in the process. The principles of the WTO and our bilateral agreements with these nations - transparency, open markets, the rule of law - will contribute to their long-term growth potential, integration into the world economy, and domestic reform. That is the experience attested to at the WTO Ministerial Conference last May by virtually all Central European and Baltic states. We are thus working diligently, and cooperating closely with the EU, with all those interested in WTO membership. It is not an easy task, but we will soon see Latvia and Kyrgyzstan, and can expect others to join the WTO when they are ready.

The Financial Crisis

We cannot discuss reform in Russia, however, without turning to the third and last challenge: our responsibilities to the world as economic leaders.

This begins with the financial crisis. As President Clinton said to the IMF/World Bank conference two weeks ago, the events which began with the disruption in the Thai currency in the spring of 1997 have now become "perhaps the most serious financial emergency in fifty years." It has devastated the affected nations. And it threatens our own economies as well.

As the world's largest economies, we and the European Union must lead the effort to find a solution. None of us can sit back and leave it to others. Our counterparts in the finance ministries are working closely with the IMF and affected countries to restore economic health and currency stability. These policies are getting results: countries like Thailand and Korea which have implemented reform have stabilized their currencies and brought interest rates below pre-crisis levels. With patience and full implementation of reform, the same can occur in Russia and other affected countries. We must, however, remain vigilant and ensure that the IMF has the

resources and political support it needs to act in case of fresh emergencies.

We must also work together to make sure Japan, the world's second largest economy, accepts its responsibilities - to use fiscal stimulus to restore demand-led growth, reform its banking system, and comprehensively open and deregulate its economy. Without recovery in Japan, the prospects for Asian recovery are quite bleak.

From the trade perspective, we must remain true to our principles and the specific pledges made at the Asia-Europe Meeting and the G-8 summit last spring, by preserving our open markets and moving ahead with multilateral liberalization. To do otherwise would risk a repeat of the 1930s, when protectionism in America and in Europe worsened and prolonged the Depression. Each of us will face pressure from growing imports. As we do - for example in steel - Europe needs to share the burden. Failure to meet this challenge will increase the pressure on all of us.

The Multilateral Trading System

Likewise, we expect Europe to share the responsibility of building a more open, comprehensive, transparent and stronger world trading system:

-- We must begin with respect for the system that now exists, and implementation of panel decisions. As I've already noted, the EU has an obligation to respect results of panels and implement them in a full and timely fashion. This is fundamental to confidence in the rules-based trading system, and to the ability of that trading system to deter new waves of protectionism in an atmosphere of economic crisis. And it is fundamental to support for our bilateral trade relationship.

-- We must also continue to work together on accessions of China, Taiwan and other economies aspiring to join the WTO. With respect to China, the talks have been quite slow, but we and Europe have coordinated and cooperated quite closely. We believe China's membership in the WTO is vitally important, but the principles of the system are equally important. We are prepared to wait until China is ready to make further serious offers.

-- We must also help the least developed countries take full advantage of the trading system's potential to increase growth, promote transparency and strengthen the rule of law, both through technical assistance and open market measures like our expansion of trade preferences to Africa.

-- We must seek common ground as new WTO negotiations approach. We share interests in developing electronic commerce, opening services markets, better enforcement of intellectual property rights in computer software and new technologies, and ensuring fairness in government

procurement. Our companies share with European entrepreneurs a profound interest in a more open, transparent, and predictable process for setting standards.

And Europe's agricultural policies, of course, remain a central concern. American agricultural producers, our trading partners, and Europe's own consumers and taxpayers all share a profound interest in far-reaching reform. The elimination of export subsidies. Reduction in price supports linked to production. Transparency in state trading. These are critical issues for Americans, Europeans and the future of the trading system.

-- And we must promote shared values multilaterally: transparency and response to the concerns of citizens. This is essential to allow the system to endure and retain its credibility. We must make the WTO itself more transparent by opening dispute settlement processes to the public and speeding publication of dispute panel reports. This is essential to public confidence, and the EU is lagging behind in support. And we must find appropriate ways to make sure growing trade goes together with stronger environmental protection and the advance of core labor standards.

Conclusion

These are complex issues and profound responsibilities for both the United States and Europe. The world is looking to us for leadership and responsibility in a way neither the U.S. nor Europe has seen for many years; perhaps not since the postwar generation. And both of us must respond.

Our responsibilities in economics and trade - to the trading system, to the reforming nations of Europe, and to our own farmers, ranchers, working people and businesses - are matched in fields stretching from peace and prosperity; to science and medicine; the defense of human rights; the improvement of international financial institutions and beyond.

But I think history should make us confident that we are up to the challenge. Our own economic ties support the jobs of millions of families on both sides of the Atlantic, and spur economic development in our nations and around the world. Our advances in science, medicine, and technology have made life safer and healthier. The institutions which owe their existence above all to Europe and the United States - NATO, the IMF, the World Bank, the United Nations, the WTO - have proven their worth as enduring contributors to peace and prosperity. Our relationship should continue to inspire and shape the world in the century that lies ahead.

Thank you.